HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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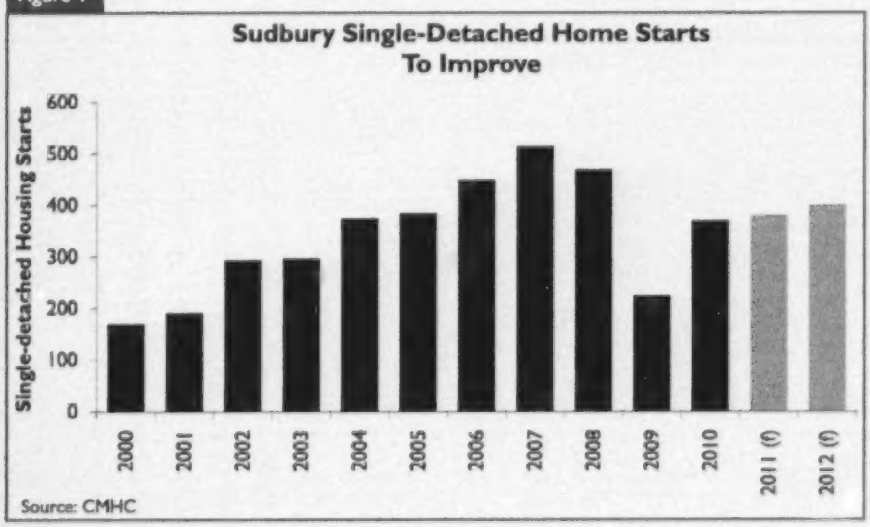
Market at a Glance

- After growing by seven per cent this year, Sudbury existing home sales will grow by another 3.3 per cent in 2012 – supported by strong mining sector activity and continued income growth.
- Average MLS® prices will rise 1.9 per cent this year and 1.8 per cent in 2012 as new listings remain tight.
- Single-detached starts will rise 3.0 per cent in 2011 and 5.0 per cent next year benefitting from resale market strength. Starts of semis, rows and apartments will weaken relative to 2009 and 2010.

Figure 1



* The forecasts included in this document are based on information available as of October 5, 2011.

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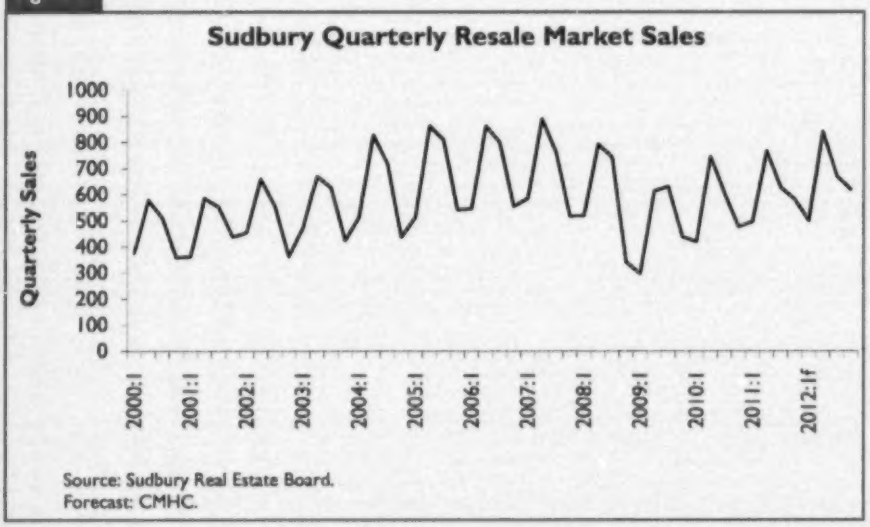
Resale Homes Market

MLS® Sales to Grow This Year and Next

After a 13.5 sales jump in 2010, CMHC expects MLS® sales to conclude this year up seven per cent and move up again by just over three per cent in 2012. Sales in June and July were very strong but they weakened in August. Sudbury will not be immune to global uncertainty as evidenced by a recent dip in commodity prices. Nevertheless, employment has been rising steadily as mining indices have been performing better than the overall commodity price index which is a reflection of strength in Sudbury's two key commodities, nickel and copper. With reasonable demand for commodities, coming from the BRIC nations namely Brazil, Russia, India and China, the outlook for Greater Sudbury's housing market looks positive. In fact, with analysts anticipating growth in resource-poor emerging economies to outpace global growth, mineral-rich Northern Ontario, especially Sudbury, stands to potentially benefit for years to come. Recently, average weekly earnings in Sudbury have been trending higher than Ontario's which again speaks to the positive fundamentals supporting Greater Sudbury's housing market.

Figure 2

Figure 3



Source: Sudbury Real Estate Board.
Forecast: CMHC.

On the supply side, seasonally adjusted new listings have fallen this year giving rise to continued average resale price gains. The average MLS® price will reach $230,000 in 2012. New listings should start increasing again as households begin to realize the strength of the economic fundamentals in Sudbury.

Sudbury Market to Remain in Balanced Territory

Unlike the period 2005 through 2008 when double-digit average price increases in the resale market were the norm, employment growth plus listings declines do not necessarily equal a seller's market based on sales activity observed so far this year. The resale market continues in a strong balanced position and is anticipated to continue in that state for the remainder of 2011 and into 2012. As a result resale prices will grow at a slower rate of 1.9 per cent this year. Despite higher home listings in 2012, average MLS® prices will still rise 1.8 per cent in 2012. Over that same robust period of price expansion (2005-2008), average weekly earnings grew as much as 8.6 per cent year-over-year. While gains of three to four per cent are nothing to ignore, as has been observed thus far in 2011, these gains are not being matched with runaway average MLS® price growth.

New Homes Market

Positive Employment Outlook Good for Housing Starts

Single-detached starts have been relatively weak. Total housing starts were bolstered in the third quarter with the commencement of a relatively large apartment project. Starts of semis, row and apartment housing will trail 2010 numbers but still be far better than the fifteen year average for higher density construction. CMHC expects 380 single-detached starts in 2011 and 170 semis, row and apartment starts. This will be followed by 400 singles for 2012 coupled with another 130 multi-family starts.

Employment growth in Greater Sudbury supports the trend towards increased new home construction. It has shown most of its growth in the full-time category, in those aged 45-64 and in those working in the goods producing sector. These variables have given strong support to average income growth and fit well with the forecast for more new single-detached construction.

Single-Detached Starts to Advance in 2011

A rush to have building permits approved in December 2010 to avoid increases to development charges taking effect January 1st was a sign that builders were optimistic coming into the year. Thus far, numbers have not disappointed. Although single-detached starts were off 13 per cent to the end of August, the late start to the year suggests that the building year could extend well into the fall for builders to catch up with commitments for this year. Escalating resale prices are causing consumers to look twice at new construction since the spread between resale home prices and new homes appears to be shrinking.

On par with last year, the supply of completed and unoccupied units in Sudbury has not been worrisome, with nine homes being completed and unoccupied thus far in 2011. Low levels of unsold inventory, suggests that builders are being more cautious and less likely to erect a housing unit on speculation. New construction continues to be widely spread across the Greater Sudbury CMA. Consumers have ample choice with regards to lot location given the competitive environment characterized by the presence of several builders.

Another active year is being witnessed for semi, apartment and row housing starts in 2011. Relatively low vacancy rates and perceived demand in the more affordable housing realm and higher density ownership market are combining to boost multi-family starts in 2011 thus far. Aging baby boomers that require less space and a more maintenance-free lifestyle will opt for higher density housing supporting this type of construction. Multi-family starts will reach 170 units this year and fall to 130 units in 2012.

Economic Overview

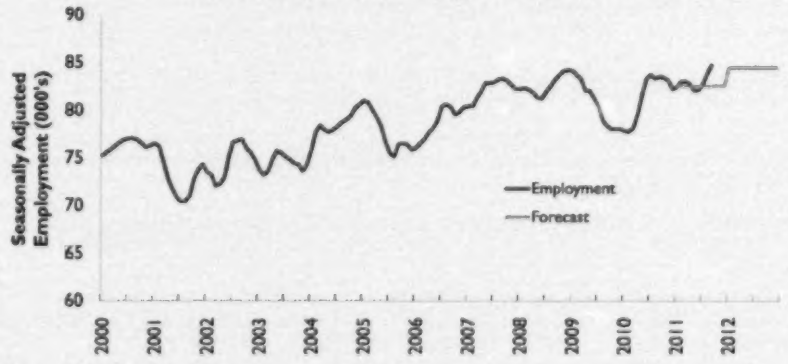
Sudbury Employment Grows to All-Time High

Employment growth is continuing its vigorous pace of expansion in Greater Sudbury that began in June 2010. With employment averaging 82,400 employed so far this year, Sudbury is currently at an all-time high. Sudbury's total employment will increase by 3.6 per cent 2011 and another 2.3 per cent in 2012 as jobs in both the goods and services sectors support growth.

Of the 325 mining projects ongoing across the country, sixty per cent are in Northern Ontario and Northwestern Quebec which stands to benefit Sudbury and Northeastern Ontario for years to come. Sudbury is a centre of mining expertise and the home of a multitude of companies that serve the mining industry. It is estimated that members of the Sudbury Area Mining Supply and Service Association (SAMSSA) generated $5.6 billion in sales in 2008-2009. Sales may be up over $6 billion for the period 2010-2011. In related news, $5.2 billion in

Figure 4

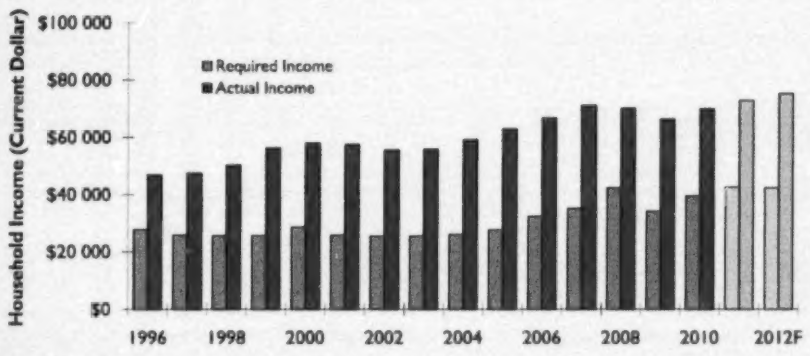
Jobs Growth Improving In Sudbury



to September 2011, Forecast 2011 and 2012.
Source: Statistics Canada Labour Force Survey

Figure 5

Affordability of Homes in Greater Sudbury in 2012



Souce: CMHC, Statistics Canada, CREA

Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

mining investments are planned in the Sudbury area. Most notable among these projects is the nearly $4 billion in investments to be undertaken by Vale. Elsewhere, the number of construction projects being launched by the local School Boards and the three post secondary institutions is impressive. The $35 million Laurentian School of Architecture and its planned downtown campus is receiving most of the attention. Finally, a recent concern of the development industry locally has been the lack of shovel-ready industrial land for development. A move by Council over the summer will help to prepare 1600 acres of underutilized land in eight existing industrial parks thereby making it more "development ready".

After averaging more than nine per cent in 2010, the unemployment rate has fallen as labour force expansion has not been keeping pace with employment growth. The unemployment rate dropped below seven per cent for the first time since the first quarter of 2009. A falling unemployment rate can be an attraction to footloose job seekers from elsewhere in the province, country or world. The current trend in unemployment is working in Greater Sudbury's favour and could lead to labour force growth.

Migration into Sudbury to Recover

The Sudbury economy continues to experience diversification. The community is gaining a worldwide reputation as a centre for mining excellence. A Research Centre at Sudbury Regional Hospital, a bio-solids plant converting waste material from the sewage treatment process and green energy projects using solar and hydro power are additional projects providing evidence of this diversification. Just as we have been seeing an increase in employment, so we expect improved fortunes regarding migration. Migration is occurring from rural Northeastern Ontario into Sudbury as it has solidified its role as a regional hub for this part of Ontario.

After a six year period of positive in-migration, Sudbury net migration has been negative of late. Net-migration numbers should return to positive territory given the improved conditions facing the mining industry. This should continue for the foreseeable future. After the recent dip in migration numbers, net migration into Greater Sudbury should average about 250 people each year over the forecast period.

Mortgage Rate Outlook

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

Forecast Summary
Greater Sudbury CMA
Fall 2011

	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	2,396	1,977	2,244	2,400	7.0	2,480	3.3
MLS® New Listings	4,829	4,307	4,673	4,200	-10.1	4,300	2.4
MLS® Average Price ($)	211,614	200,947	221,699	226,000	1.9	230,000	1.8
New Home Market							
Starts:							
Single-Detached	469	224	369	380	3.0	400	5.3
Multiples	74	226	206	170	-17.5	190	11.8
Semi-Detached	32	8	4	30	**	30	0.0
Row/Townhouse	19	74	25	20	-20.0	8	-60.0
Apartments	23	144	177	120	-32.2	152	26.7
Starts - Total	543	450	575	550	-4.3	590	7.3
Average Price ($):							
Single-Detached	336,847	370,755	360,289	363,500	0.9	371,000	2.1
Median Price ($):							
Single-Detached	322,450	339,900	354,900	362,000	2.0	366,000	1.1
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	5.5	0.7	-0.5	-1.0	-	-0.5	-
Rental Market							
October Vacancy Rate (%)	0.7	2.9	3.0	2.0	-1.0	1.5	-0.5
Two-bedroom Average Rent (October) ($)	800	830	840	855	-	880	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.60	-	3.56	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.42	-	5.43	-
Annual Employment Level	83,000	80,300	81,500	82,500	1.2	84,400	2.3
Employment Growth (%)	0.7	-3.3	1.5		-		-
Unemployment rate (%)	5.6	9.3	9.3	8.1	-	7.4	-
Net Migration	413	-273	-219	200	-191.3	300	50.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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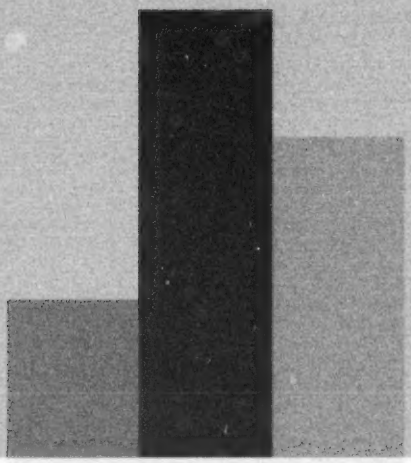

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